

Statement of Congressman Ron Kind
S 256, Bankruptcy Abuse Prevention and Consumer Protection Act of 2005
April 13, 2005

Mr. Speaker, I rise today in support of this legislation because the current system needs reform to protect those people truly in need of debt relief, while holding accountable those who can repay their debt.

Bankruptcy filings have risen steadily in recent years, an indication that our current system is an ineffective one that discourages consumers from saving and planning responsibly and ultimately isn't good for consumers, families, or a society that values individual responsibility. I believe bankruptcy should be a last resort—one that allows people who need protection to receive it and people who can repay all or some of their debts to do so. The system in place now gives incentives to people in trouble and encourages them to steamroll headfirst into Chapter 7 liquidation of all their debts, even when they could get back on their feet through a reasonable repayment plan or basic credit counseling.

While S 256 is not a perfect bill, I do believe it goes great lengths in addressing the growing problem of bankruptcy in this country. I also believe there is great misunderstanding about what this bill does and who will be affected. Only those earning above the median income and who have the ability to pay will be required to pay back their debt. However, millionaires who use bankruptcy law as a method of financial planning will no longer be able to buy extravagantly and subsequently have all of their debt written off.

It is also important to note that many families and small businesses will benefit because of changes to this law. Bankruptcy costs are passed on to other consumers, and the average family pays hundreds of dollars each year in higher prices. Additionally, small businesses that might otherwise not be paid for their goods or services will have a better chance of gaining compensation as a result of this bill. A very positive aspect of S 256 is that it makes permanent Chapter 12 of the bankruptcy code. I, along with other members of Congress, have been working for years to make permanent this much-needed source of relief for our family farmers.

There have been accusations that this bill will be detrimental to the most needy; in fact, there are a great deal of safeguards. S 256 includes protections ensuring that alimony and child support payments are made. I believe single parents and dependent children need our help far more than millionaires who benefit from current bankruptcy laws. Additionally, families who have exorbitant medical bills they cannot afford can still file

for Chapter 7, and judges will still have a great deal of discretion when it comes to the issue of means-testing.

In addition, this legislation will create new disclosure requirements for lending institutions to provide better information to consumers about credit cards and debt. This is particularly important for young adults who are bombarded by credit applications and have limited knowledge about the risks that accompany credit card ownership.

It is important to note that this legislation is only the first step in addressing the bigger problems underlying savings in this country. With an over-reliance on credit cards and a lack of saving for retirement, too many Americans find themselves on shaky financial ground. Addressing this problem must be our next goal, and we must encourage more personal responsibility in consumers.

The Bankruptcy Abuse Prevention and Consumer Protection Act will benefit consumers and provide all Americans with better access to credit. It helps prevent abuse of the system while providing debt protection to those who truly need it. I urge my colleagues to support this legislation.